

KPP LIGHTNING ROUND

April 2023

KPP Receives Clean 2022 Audit

VICKIE MATNEY, CONTROLLER

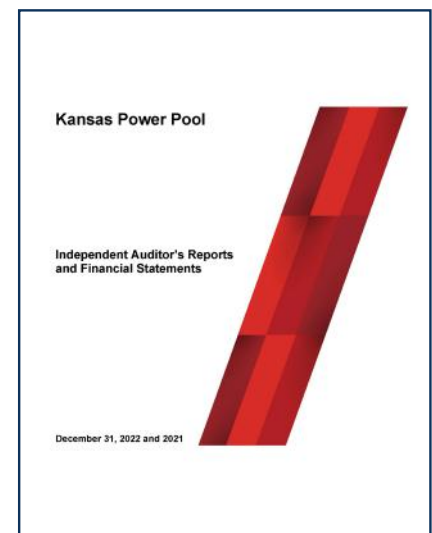
During the April 20th meeting of the KPP Energy Board of Directors, Board members formally accepted the agency's 2022 audit and received a report from Chad Moore, Partner at FORVIS, LLP. KPP received a clean, unqualified opinion, the highest rating given during an audit to a government agency.

Following are some high points from the audit and financials:

- Bond indentures require KPP to maintain minimum cash flow to service debt at a ratio of 1.1 to 1.0. During the 2015 issuance of additional Dogwood bonds, KPP committed to maintain minimum cash flow to service debt at a ratio of 1.3 to 1.0. This served as one step in the process of receiving an upgrade during our rating stage, therefore reducing overall interest costs to KPP membership. For 2022, KPP achieved a debt service coverage ratio of 1.35.
- Liquidity is the measure of KPP's ability to use cash or cash equivalents to pay short-term debt. The ratio used to illustrate liquidity is the ratio of current assets to current liabilities, or current ratio. A current ratio of 1.0 or above indicates that KPP can cover 100% of its short-term debt for a period of twelve months with accessible resources. A current ratio of 1.5 or higher is indicative of a financially healthy organization. KPP's current ratio for 2022 is 5.1, which suggests a financially healthy organization.
- At the end of 2022, KPP deferred revenues of \$450,000 into the Emergency Stabilization Fund.
- State law requires collateralization of all deposits with federal depository insurance; bonds, and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the state of Kansas; or bonds of any city, county, school district or special road district of the State of Kansas. At December 31, 2022 all of KPP's bank balances were protected with the exception of \$532,000 held at Dogwood and are not collateralized with securities in KPP's name.

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April Board Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER

The KPP Energy Board of Directors held their regular monthly meeting on April 20, 2023 at the KPP offices in Wichita. A summary of meeting highlights is provided here.

March 2023 ECA

KPP Director of Engineering Services James Ging presented the monthly update relating to the March 2023 ECA calculation. In March, energy costs were below budget \$448,564, transmission costs were below budget \$207,582, and capacity costs were above budget \$4,319. Energy sales were below budget by 7%. With energy and transmission costs significantly below budget, the resulting ECA for the month was a negative 1.01 cents per kilowatt-hour (kWh) – thereby more than negating the Winter Storm Uri surcharge for the month.

Financial Statements

KPP Controller Vickie Matney presented the financial statements for the period ending February 28, 2023 which continue to show a strong financial position for the first two months of the year. In addition, Matney provided an update on Winter Storm Uri. After collecting \$583,338 and applying it fully towards the state loan, KPP currently estimates that the surcharge will be \$0.0087 in July 2023 to pay off the full amount.

2022 Audit Report

Chad Moore, Partner at accounting firm Forvis, LLP, provided a presentation regarding KPP's 2022 financial audit. The audit reviewed KPP's financial statements for the years ending December 31, 2022, and 2021. KPP had a clean unqualified opinion, the highest rating given during an audit to a government agency. More detail about the audit can be found on page 1.

Walnut Energy Center Gas Consultant

KPP CEO & General Manager Colin Hansen and Assistant General Manager – Operations Larry Holloway provided the Board an update about the status of the Walnut Energy Center generation project. Hansen and Holloway described recent meetings with consulting engineers Burns & McDonnell about next steps in the project as KPP awaits the results of the generation interconnection process at the Southwest Power Pool (SPP).

A key aspect to efficient and economical operation of the Wärtasilä power plant is a robust and reliable natural gas supply. KPP staff recommended to the Board that the agency contract with a nationally recognized natural gas expert to assist with developing natural gas supply for the power plant that provides sufficient supply and pressure. Bernie Schaffler of Advanced Energy Experts, Inc. was recommended given his expertise and experience in natural gas operations. The Board unanimously approved the proposed agreement with Advanced Energy Experts.

Operations Report

A report on the numerous Federal Energy Regulatory Commission (FERC) activities in which KPP Energy is currently involved was provided by KPP Assistant General Manager of Operations Larry Holloway. Holloway also noted in his report several issues and initiatives at both the Southwest Power Pool (SPP) and the Kansas Corporation Commission (KCC). He also updated the Board on recent technical challenges at the Solomon Energy Storage Center that are currently being evaluated and corrected.

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April Board Meeting Review (continued)

Engineering Report

KPP Director of Engineering Services James Ging provided an update on several ongoing KPP Energy projects in member communities, including the installation of AMI meters in Attica, Haven, and Winfield. Ging also reported on the status of KPP solar energy feasibility studies.

Member Services Report

KPP Director of Member Services Brooke Carroll noted that plans were underway for GridEx VII, with the goal of preparing members for potential cyber and physical security challenges. Registration for GridEx VII – which will be held November 14-15 at the KMU Training Center in McPherson - is now available on the KPP website.

KPP recently submitted a grant concept paper seeking federal funding for solar energy projects in member communities. The grant proposal, available under the Energy Improvement in Rural or Remote Areas program, was titled, “Small Utility-Scale Solar Photovoltaic Electrical Energy Generating Systems.”

Cybersecurity Report

Gavin Rose, Custom Internet Services and KPP Cyber Analyst, provided the KPP 1st Quarter 2023 Cybersecurity

Report. Rose noted his work in KPP member communities last year to assist with cybersecurity insurance issues.

General Counsel Report

KPP General Counsel J.T. Klaus, Triplett Woolf Garretson, summarized a comprehensive written report on numerous legal and regulatory issues. Klaus and KPP CEO & General Manager Colin Hansen noted that, as of the meeting, the last remaining documents needed to file for the KPP Energy name change were received. All 31 KPP member cities have now approved the name change.

CEO REPORT

Finally, Hansen updated the Board on a wide variety of topics. He noted that KPP recently received its first ESG score from Moody’s Investor Services. The rating of “CIS-2” is defined as having a “Neutral-to-Low” impact on KPP’s overall credit rating. Hansen’s report also covered a recent Kansas State University solar survey in which KPP members participated, the APPA Lineworker Rodeo in Kansas City, transformer supply chain concerns, Congressional and Kansas Legislature updates, and upcoming KPP regional meeting and member appreciation events in Wellington and Minneapolis.



Kansas City Hosts Successful APPA Lineworker Rodeo

The American Public Power Association (APPA) Lineworkers Rodeo was held on March 31 and April 1 in Kansas City, Kansas. This marked the first time in recent memory that the event was held in the state of Kansas. KPP staff members were on hand to help co-sponsor and serve as judges at the rodeo.

The rodeo was hosted by the Kansas City Board of Public Utilities (BPU) in Kansas City, Kansas. Forty-five journeyman teams and 100 apprentices competed in the national APPA rodeo. Forty-one different utilities had competitors in the apprentice and/or journeyman competitions.

The “rodeo” is a series of competitive events demonstrating lineworker skills and safe work practices. There are two levels of competition within the rodeo: journeyman and apprentice. The journeyman teams consist of three members – two climbers and a ground person – and can include an



Above: Lineworkers warming up for the Rodeo's first event.

optional alternate. Journeymen have years of experience within the electric utility trade, while an apprentice lineworker is newer to the craft.

“We’re so pleased by the participation this year of lineworkers representing public power utilities from communities across the

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Left: KPP Director of Engineering James Ging (left) discusses scoring for the Journeyman team from Municipal Electric Systems of Oklahoma (MESO).

Below: APPA Chair Tony Cannon, KCBPU Director of Electric Distribution Mike Fergus and KCBPU Chief Operating Officer Jeremy Ash listen as BPU General Manager Bill Johnson welcomes lineworkers to the Rodeo Awards Ceremony.



Lineworker Rodeo (continued)

nation,” said Jeff Haas, APPA Acting President & CEO. “The friendly competition is all about safety, training, comradery, and pride in the craft.”

KPP staff served as volunteers for the event. KPP Director of Engineering James Ging was a judge for the Journeyman Transformer Change Out event. Meanwhile, KPP Controller Vickie Matney and KPP CEO & General Manager Colin Hansen served as auditors on the Apprentice Cutout Relocation event.

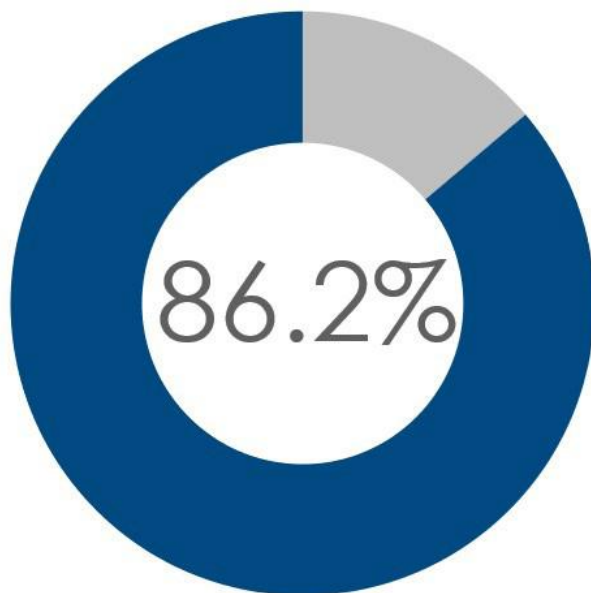
Congratulations to APPA and Kansas City BPU on a successful rodeo. A video of the Rodeo can be found on the Kansas City BPU Facebook page at <https://www.facebook.com/kckbpu/videos/3352380325000098>.



Above: Sunrise flag ceremony

Winter Storm Uri Progress

PERCENTAGE OF EXPENSES RECOVERED THROUGH MARCH 2023



Winter Storm Uri Total Expenses

\$21,063,883

Surcharge Recovered

\$18,155,446

Balance Remaining

\$2,908,437



Reliability Initiatives Continue at SPP

LARRY HOLLOWAY / ASSISTANT GENERAL MANAGER - OPERATIONS

As KPP Energy and our members recover from the February 2021 Winter Storm Uri, you may have noticed an increased awareness of reliability of electric service. This isn't just from customers, but also from the people that control and operate our electric grid and run the large integrated electric market in our region, the Southwest Power Pool ("SPP"). It seems like every day there is a new requirement for our members who have generation or operate the other power plants in our portfolio. It's important to take a few minutes to understand where these requirements and initiatives are coming from.

Many of you understand that KPP uses SPP transmission service to connect our generation resources to our cities load and that we also participate in the SPP Integrated Market. As a reminder, the SPP region covers most of the middle of the country and provides services to all or part of 14 states, as illustrated in this snapshot of the region.



SPP is governed by an independent Board of Directors (BOD) and the Regional State Committee (RSC) which is made up of 1 utility regulatory commissioner from 12 of these states (Wyoming and Montana do not participate).

When SPP became a Regional Transmission organization in 2005, the SPP Bylaws granted the RSC a level of responsibility and authority independent of the SPP board, with respect to transmission funding and rate recovery, the allocation of transmission congestion, and resource adequacy. Before Winter Storm Uri, the primary focus of the RSC was historically on transmission costs. Today, the RSC is increasingly involved in the aspect of resource adequacy, making sure that there is enough available generation to meet load in the SPP region.

Most initiatives in SPP are vetted through a process of membership participation in working groups and committees before they are submitted to the SPP Board for approval. Most of these working groups, committees and even short-term task forces receive direction from the SPP Board, or some of the higher-level groups at SPP that contain board members, such as the Strategic Planning Committee.

To address concerns identified following Winter Storm Uri, organizational groups have been formed that contain both state regulators and their staff, SPP Board members, and SPP members. Since initiatives that address resource adequacy must be vetted by all groups the concept is to keep both regulators and SPP members involved in the process from the beginning.

The first of these hybrid groups, the Improved Resource Availability Task Force (IRATF), was formed in August 2021. IRATF members include the RSC chair, 5 Staff members of different state regulatory commissions on the Cost

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Reliability Initiatives Continue at SPP (continued)

Allocation Working Group (CAWG), three SPP members that are on the Supply Adequacy Working Group (SAWG), two SPP members that are on the Operating Reliability Working Group (ORWG), and one SPP member that is on the Market Working Group (MWG).

The second group was formed in March 2023 - the Resource and Energy Adequacy Leadership Team (REAL). REAL members include three members of the RSC, two members of the SPP BOD, three members of the Members Committee (MC), two members of the Strategic Planning Committee (SPC), three members of CAWG, and one member of SAWG.

You may have heard from KPP about several of the resource reliability initiatives that affect us. These initiatives include the new “Performance Based Accreditation” tracking that will adjust the amount of capacity we can use from our member generators based

on reliability indices. A second SPP resource reliability initiative is the recent increase in Planning Reserve Margin that will require us to have more generation capacity.

Many other reliability initiatives are currently being discussed. For example, at a recent IRATF meeting initiatives for fuel assurance, generation winterization, energy adequacy, and ramp were discussed. All of these initiatives could require us to pay more for our generation resources in the future or modify our existing resources.

KPP Energy staff will continue to participate in the SPP committees and task forces discussing these significant changes and will keep the KPP membership updated about changes that might impact you.

U.S. Renewable Energy Surpassed Coal Generation in 2022, Natural Gas Generates 39% of U.S. Needs

In 2022, 4.24 trillion kilowatt-hours (kWh) of electricity were generated at utility-scale electricity generation facilities in the United States. About 60% of this electricity generation was from fossil fuels—coal, natural gas, petroleum, and other gases. About 18% was from nuclear energy.

Growth in wind and solar energy across the United States resulted in a significant increase in renewable energy and contributed 14% of the electricity produced domestically in 2022. Hydropower contributed 6%, and biomass and geothermal sources generated less than 1%. With a total of 21.5% of the electricity in the U.S. delivered in the U.S. from renewable sources, renewables outpaced coal generation of 19.5%.

The U.S. Department of Energy’s Energy Information Administration (EIA) projects that the wind share of the U.S. electricity generation mix will increase from 11% to 12% from 2022 to 2023 and that solar will grow from 4% to 5% during the period. The natural gas share is expected to remain at 39% from 2022 to 2023, and coal is projected to decline from 20% last year to 17% this year.

The EIA report found the country remains heavily reliant on fossil fuels. Coal-fired generation was 20% of the electric sector in 2022, a decline from 23% in 2021. Natural gas was the largest source of electricity in the U.S. in 2022, generating 39% last year compared to 37% in 2021.



KPP Energy Generation Testing and Load Reporting Requirements

JAMES GING, DIRECTOR OF ENGINEERING SERVICES

Spring is here, which means it's time to think about generator testing. Testing of KPP member resources have become more and more important in the last few years. As a member of the Southwest Power Pool (SPP), we are required to demonstrate that we can meet 115% of the agency's peak load. The KPP peak load for 2023 is expected to be 208 megawatts (MW). As such, we need to have resources to cover 239 MW.

There are two tests that a generator must do. Every five years a unit must perform a capacity test. In addition, every year a unit must perform an operability test. A capacity test must be performed during the summer period of June through September. The temperature must also be at or greater than a specified minimum dry-bulb temperature for the area.

The operability test has a few less requirements than the capacity test. An operability test must be performed also during the summer period, but the unit only needs to meet 90% of the rated capacity and can be run at any temperature. KPP generator testing procedures are available online at the KPP website.

As noted above, KPP must meet 115% of our expected peak demand with resources. By February 15th of each year, KPP must submit the agency's Resource Adequacy to the Southwest Power Pool. If we have any deficiencies at that point, they must be cured by May 15th. The resource adequacy covers load and resource specific criteria - such as load forecasts for three years, demand and energy, resource testing records and proof of any purchase power agreements (PPAs) that we have in place.

We are also anticipating and planning for new SPP requirements to report winter criteria in response to the recent winter storms (Uri & Elliott) over the past several years. These changes make it more important than ever that KPP members provide us up-to-date information surrounding generation changes and load changes. If you see any situations arising within your communities that will cause large increases or decreases in load, please let us know.

As always, if you have any questions regarding testing procedures or resource adequacy, please contact James Ging or Larry Holloway for assistance.



Member Spotlight - St. Marys

COLIN HANSEN, CEO / GENERAL MANAGER

I recently had the opportunity to visit the KPP member city of St. Marys and wanted to share a few of my discoveries (and pictures) with the rest of the KPP family. Many thanks to St. Marys City Manager Maurice Cordell and Utility Supervisor Don Colson for the tour of the community and discussions about St. Marys' energy needs.

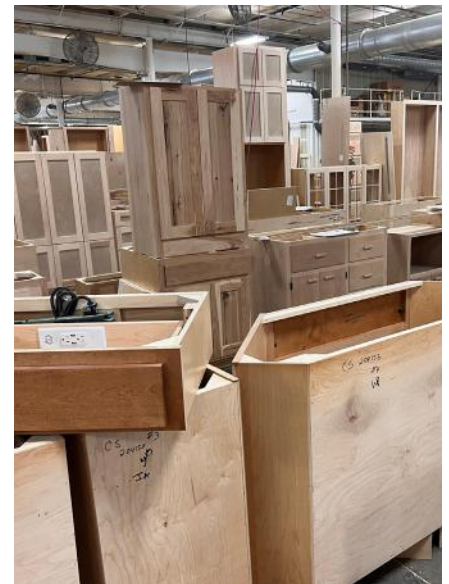
As KPP members are likely aware, St. Marys is located in the northeastern part of the state between the cities of Topeka and Manhattan. With a population of just over 2,500, it is a close-knit community that offers a peaceful and quiet lifestyle to its residents. The town was founded in 1848 by a group of Catholic missionaries, who established a mission and a school in the area. St. Marys became a center of Catholic culture in the region.

On the electric side, St. Marys had a 2022 peak demand of 6.328 megawatts (MW). As such, they accounted for 2.99% of KPP peak demand last year.

My tour of the city included a sneak preview of the new Immaculata Church, an impressive architectural feat that has recently been completed and will be consecrated on May 3rd. The church was designed by a renowned architect, Thomas Gordon Smith, and boasts a neo-gothic style reminiscent of European cathedrals.

It sits atop a hill overlooking the town and features an exterior made of Indiana limestone with intricate carvings and details. Inside, visitors are greeted by a towering nave with a vaulted ceiling and stunning stained-glass windows. The church is an awe-inspiring piece of architecture that is sure to attract visitors who appreciate great art and design, regardless of their religious affiliation.

I also had the opportunity to tour Custom Wood Products, the City of St. Marys' largest electric customer and to meet with Kevin Gray, the company's CEO. Custom Wood Products is a family-owned business located in St. Marys,



Right to Left: Exterior of the Immaculata Church in St. Marys. Workers finishing the final touches of the interior of the church. Inventory created at Custom Wood Products.

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Member Spotlight - St. Marys (continued)

Kansas that specializes in creating high-quality, custom-built cabinets and furniture pieces. They have been in operation since 1979.

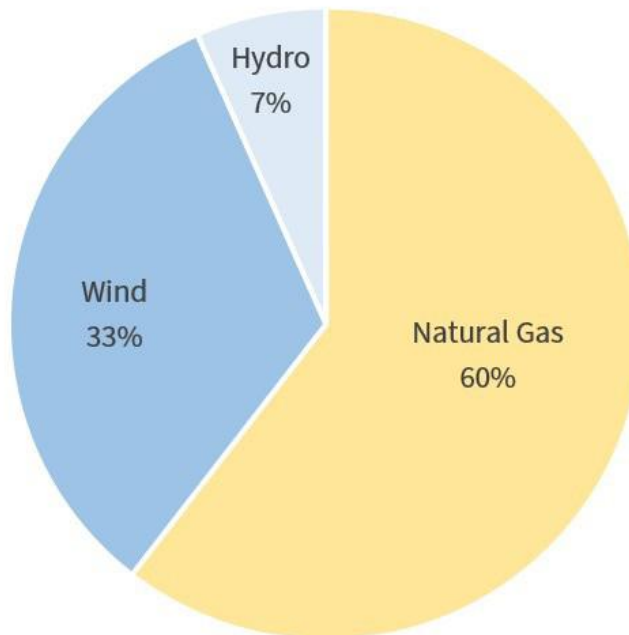
My day ended with a presentation to the St. Marys City Commission at a special work session. Our 30-minute conversation covered a number of wide-ranging topics, from a high-level summary of current KPP projects and activities to an interesting discussion about the advantages and disadvantages of different types of generating resources.

My thanks again to the St. Marys city commission, City Manager Maurice Cordell, and Utility Superintendent Don Colson.



KPP Resources by Fuel Source

MARCH 2023



SPP 2022 Annual Report Released

The Southwest Power Pool (SPP) 2022 Annual Report was recently published to stakeholders on April 25th and recaps SPP’s “most noteworthy accomplishments, challenges, and milestones over the last year.” The SPP annual report highlighted achievements in operational excellence. According to the report, SPP provided \$3.787 billion in value to SPP members in 2022, and continued to expand the scope and scale of services that the agency is providing stakeholders in the Western Interconnection.

The report also summarizes SPP’s response to Winter Storm Elliott, the advances SPP has made in interconnecting new generation to the grid, a special effort to lead the design and development of a consolidated transmission planning process, and the publication of the agency’s “Grid of the Future

Report” that looks beyond normal planning horizons to identify the challenges and opportunities the future holds for SPP and our stakeholders, region and industry.

The 2022 SPP Annual Report is available on the SPP website [here](#).



Event Calendar

2023 DATES TO REMEMBER

MAY 18, 2023

KPP Board Meeting

JUNE 17-21, 2023

APPA National Conference
Seattle, Washington

JUNE 19, 2023

KPP Board Meeting

JULY 20, 2023

KPP Board Meeting

AUGUST 17, 2023

KPP Board Meeting

SEPT. 28-29, 2023

KPP 2023 Conference

OCTOBER 1-7, 2023

Public Power Week

OCTOBER 19, 2023

KPP Board Meeting

NOVEMBER 3, 2023

KPP Rate Forum

NOVEMBER 14-15, 2023

GridEx VII

NOVEMBER 16, 2023

KPP Board Meeting

DECEMBER 8, 2023

KPP Annual Members
Meeting & Board Meeting